



United States  
Department of  
Agriculture

Food and  
Nutrition  
Service

Mountain  
Plains  
Region

1244 Speer Boulevard  
Denver, CO 80204

DEC 29 1993

Reply to  
Attn. of:

SP-94-58

Subject:

Coordinated Review Guidance - Draft Guidance on Follow-up Reviews, Fiscal Action from Follow-up Reviews, and Withholding Payments

To:

STATE AGENCY DIRECTORS - Colorado ED, Iowa, Kansas, Missouri ED,  
(Special Nutrition Programs) Montana OPI, Nebraska ED, North Dakota,  
South Dakota, Utah and Wyoming ED

Attached is the draft Coordinated Review Guidance for follow-up reviews, fiscal action from follow-up reviews, and withholding payments.

The content of this draft is based on 2 rules that are currently in clearance. These include a final rule which makes technical corrections to 7 CFR 210.18 and related sections, ranging from minor corrections of citations to somewhat more substantive corrections which provide additional flexibility to State agencies; and the finalization of the August 26, 1992, interim rule.

We are providing the draft guidance for your use in conducting follow-up reviews. These procedures will remain in effect until the guidance is finalized. Should changes occur in the final guidance, States will be held harmless for relying on this draft guidance.

If you would like to comment on the guidance direct your comments to this office by January 18, 1994.

If you have any questions please contact our Review Unit at (303) 844-0355.

ANN C. DEGROAT  
Regional Director  
Special Nutrition Programs

Attachment

**DRAFT**

## GENERAL INFORMATION

### GENERAL

#### COMMENTS

While the follow-up review is primarily the responsibility of the State agency, it may be conducted by either the State agency or FNS.

Additional follow-up review is required when the school food authority exceeds a review threshold on the first follow-up review or any subsequent follow-up reviews.

### TIMING

State agencies are encouraged to conduct the first follow-up review in the same school year as the administrative review as this will ensure timely corrective action of violations, usually result in a review of fewer documents, and may limit the amount of fiscal action. In any event, first follow-up reviews must be completed no later than December 31 of the school year following the administrative review.

### REVIEW

#### PERIOD

The review period must cover, at a minimum, the most recent month for which a Claim for Reimbursement was submitted, provided that the claim covers at least 10 operating days.

In limited situations, the State agency may review the preceding month of operation even if a Claim for Reimbursement has not been submitted if:

the State agency is conducting the first follow-up review during the school year following the administrative review;

using the most recent month for which a Claim for Reimbursement was submitted does not allow the State agency adequate time to conduct the first follow-up review prior to the December 31 deadline;

the review period covers at least 10 operating days; and

on the administrative review, there was an adequate consolidating and claiming system at the school food authority level, i.e., SFA-1, block 3 was answered YES on the administrative review.

### OTHER

#### CLAIM

#### PERIODS

In order to determine whether errors identified during the administrative review were corrected, it may be necessary to examine other claim periods in addition to the review period.

### SCHOOL FOOD

#### AUTHORITY

#### SELECTION

All school food authorities found to have exceeded the review threshold(s) are subject to a follow-up review. Refer to Critical Areas Guidance, SFA-1, page 3-3 for information regarding review thresholds.

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State agencies must perform follow-up reviews of all large and at least 25 percent of the small school food authorities where the review threshold(s) has been exceeded.

State agencies are encouraged to select and schedule school food authorities for follow-up reviews upon receipt of corrective action. It is not necessary to complete all administrative reviews prior to beginning the selection process. It is suggested that the follow-up reviews be scheduled and conducted on a continual basis.

**LARGE  
SFA**

At the time it is determined that a follow-up review is required, State agencies must notify their FNSRO of the large school food authorities (see definition on page 10-4) exceeding review thresholds.

**SMALL  
SFA**

All small school food authorities meeting the criteria for a follow-up review must be considered in the selection process, including school food authorities with a single school.

In determining which small school food authorities to include in the 25 percent for follow-up review, State agencies must make the selection based on the severity of the violations. Examples which may indicate severe violations include:

systemic accountability errors such as inadequate meal count system(s), and inaccurate consolidating and/or claiming at the school food authority or school levels;

large overclaims; and

significant lunch meal pattern violations.

**SCHOOL  
SELECTION**

If the review threshold violation(s) is limited to the school food authority level (e.g., centralized eligibility certification and/or benefit issuance process, school food authority claim consolidation, or centralized kitchen errors), the follow-up review activity may be limited to the school food authority level.

If the review threshold violation(s) was identified at the school level, at least the minimum number of schools required in the following table must be reviewed.

Number of Schools in the School Food Authority	Minimum Number of Schools to Review	Number of Schools in the School Food Authority	Minimum Number of Schools to Review
1 to 5 .....	1	41 to 60.....	6
6 to 10.....	2	61 to 80.....	8
11 to 20.....	3	81 to 100.....	10
21 to 40.....	4	101 or More.....	12*
* 12 plus 5 percent of the number of schools over 100. Fractions must be rounded to the nearest whole number.			

**SELECTION  
CRITERIA**

Select those schools that contributed to the school food authority exceeding a review threshold. However, if a school had a *Performance Standard 2* violation that contributed minimally to the review threshold being exceeded, it is strongly recommended that another school that was not previously reviewed be selected. For example, 30 of the 120 lunches observed at one school were incomplete and in another school only one incomplete lunch was observed. Since the latter school contributed minimally to the violation, it is recommended that a new school be substituted.

In order to provide a reasonable assurance that corrective action has been effective systemwide, the new school should utilize the same process that was in error in the substituted school. For instance, if the violation was the result of incomplete lunches served in a satellite school, the substitute school should also be a satellite school.

If additional schools are needed to meet the minimum required number, select additional schools based on State agency developed criteria. It is suggested that schools that have similar characteristics or use systems similar to the schools where problems had been previously identified be selected. This approach will assist in the evaluation of whether corrective action was effective systemwide.

In the event that all schools selected were reviewed during the administrative review, it is suggested that additional new schools be reviewed to ensure adequate procedures have been implemented school food authority wide.

## SCOPE OF REVIEW

### GENERAL

**COMMENTS** The administrative review examined numerous systems the school food authority had in place for the National School Lunch Program. The results of the review were used to determine if follow-up review was needed.

### SCOPE

The scope of the follow-up review must be sufficient to establish that effective corrective action has been implemented for any violation under either the critical or general areas of review. At the time of the follow-up review, at a minimum:

review those aspects of the critical areas which contributed to the review thresholds being exceeded by the school food authority on a previous review;

determine whether corrective actions were satisfactorily completed within the timeframes established by the State agency;

evaluate whether corrective actions resolved the problem(s) systemwide; and

review those aspects of the critical areas which contributed to the review thresholds being exceeded in any other programs operated by the school food authority, i.e., the School Breakfast Program, Special Milk Program for Children and/or after school care programs offering meal supplements. If the administrative review covered those other programs and found their operations to be satisfactory, they need not be reviewed during the follow-up review.

The follow-up review is not intended to be a re-review of areas that were previously deemed adequate. The basic premise in following up on the violations identified is to focus on the specific finding(s) and determine if the system(s) is adequate. To accomplish this, the scope of the review activity will vary depending on the problem(s) identified.

This Guidance focuses on procedures for review of threshold violations. The scope of the follow-up review for problems identified in other critical and general areas of review must be determined by the reviewer.

### DETERMINING

**THE SCOPE** The school food authority's corrective action response forms the basis for determining the scope or extent of the follow-up review. Depending on the problem(s) identified during the administrative review, the follow-up review may be conducted at the school food authority and/or school level(s). The State agency must determine the type(s) of activity(ies) needed which may include a review of:

documents or other information which the school food authority submitted to the State agency in response to the administrative review;

documentation of school food authority visits to previously reviewed schools and other schools to ensure that corrective action was implemented systemwide;

training materials or agendas, policy memorandums to schools, procedural manuals, etc., describing procedural changes; and

observation of procedures at the school food authority level and in schools reviewed to ensure that corrective action was taken.

**THRESHOLD  
VIOLATIONS**

State agencies are required to review those aspects of the critical areas which contributed to the review thresholds being exceeded. This narrowed scope of review affords the State agency the flexibility to concentrate their review efforts on problem areas as appropriate. A form and instructions to identify the aspects of the critical areas on follow-up reviews is provided beginning on page 6-13. The four (4) aspects of Performance Standards 1 and 2 have been defined as follows:

**Performance Standard 1**

*Eligibility Certification/Benefit Issuance/Updating Eligibility*

*School Level Meal Counting/Claiming*

*School Food Authority Level Consolidating/Claiming*

**Performance Standard 2**

**Meal Components**

At the school food authority level and at the school(s) selected for follow-up review, review the aspect(s) of the critical area(s) which contributed to the school food authority exceeding the review threshold(s). If any part of an aspect contributed to exceeding a review threshold, the entire aspect must be included in the scope of the follow-up review.

State agencies must also review those aspect(s) of the critical area(s) for any other programs operated by the school food authority.

Review procedures for the four aspects of the critical areas which contributed to the review thresholds being exceeded are described within this Guidance.

**OTHER  
VIOLATIONS**

Review procedures for other critical area violations which do not exceed review thresholds and general area violations must be determined by the State agency.

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**USE OF  
FORMS**

The Coordinated Review forms and instructions prescribed by FNS must be used for follow-up review. Only the portion(s) of the forms that pertain to the critical area(s) which exceeded the review threshold(s) on the administrative review need to be completed. When reviewing other critical areas, general areas and/or the other program(s), use of the Coordinated Review forms and instructions is encouraged but not required; however, the State agency must maintain documentation of the findings in these areas.

After the follow-up review has been completed, complete SCHOOL FOOD AUTHORITY PERFORMANCE STANDARD SUMMARY, SFA-1 to determine if the review thresholds were exceeded, thereby requiring a subsequent follow-up review.

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## REVIEW PROCEDURES FOR FOLLOW-UP REVIEWS

This section describes the procedures that must be used to review aspects of the *critical areas which contributed to the review thresholds being exceeded during a previous review*. Depending on the findings from the previous review, the follow-up review may be conducted at the school food authority level, in re-reviewed schools, new schools, and other programs.

In addition, the State agency must evaluate whether corrective actions were implemented for all other critical and general areas violated during a previous review.

### SCHOOL FOOD AUTHORITY LEVEL

The follow-up review may be confined to the school food authority level if the critical area violations identified during the administrative review were limited to school food authority level problems, such as:

- centralized eligibility certification and/or benefit issuance errors; and/or
- school food authority claim consolidation errors, and/or
- centralized kitchen.

### THRESHOLD VIOLATIONS

The three (3) aspects of the critical areas that may need to be reviewed at the school food authority level include:

**Centralized Eligibility Certification/Benefit Issuance Process** - Although a review of the centralized eligibility certification process can be conducted at the school food authority level, the minimum number of schools must be selected so that applications may be selected from these schools. Use procedures described in Post Review, Follow-up Reviews, RE-REVIEWED SCHOOLS, page 6-10.

**School Food Authority Consolidating and Claiming** - Determine the accuracy of the process for the follow-up review period. Complete Critical Areas of Review, SFA-2, 103, and 104.

**Meal Components** - If the review threshold for Performance Standard 2 was exceeded during the administrative review due to an error which occurred at the central kitchen, the follow-up may be limited to a review of the central kitchen. However, depending on the findings at the central kitchen, school reviews may be necessary to determine if corrective action has been effective. Determine if all required food items/components were available to all students participating in the NSLP on the day(s) of the follow-up review. In addition, if problems were identified during the administrative review in menu records or other documentation for the review period, review those records for the follow-up review period.

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OTHER

**VIOLATIONS** Review procedures for other critical area violations which did not exceed review thresholds and general area violations must be determined by the State agency.

RE-REVIEWED

**SCHOOLS** State agencies are not required to re-review aspects of the critical areas which were determined to be accurate during the administrative review.

THRESHOLD

**VIOLATIONS** The three (3) aspects of the critical areas that may need to be reviewed in re-reviewed schools include:

**Eligibility Certification/Benefit Issuance/Updating Eligibility** - The administrative review for this aspect evaluated three areas: eligibility certification, benefit issuance and updating eligibility. In order to allow the State agency to focus on problem areas, if the follow-up review period is in the same school year as the administrative review period, the follow-up review may be limited to a re-evaluation of the area(s) where problems were identified. For example, if there were no errors in eligibility certification during the administrative review, but numerous errors on the benefit issuance document, the follow-up review may be limited to re-review of the benefit issuance. However, if there were errors in both the eligibility certification and benefit issuance procedures, both areas would have to be re-reviewed.

If the follow-up review period is in the following school year, the entire aspect must be re-evaluated using the eligibility certification and benefit issuance documents for the new school year.

**Eligibility Certification Errors:** Complete Critical Areas of Review, S-2, 201.

If the problems were identified in the application approval process, complete 201a. and 201b. If the follow-up review period is in the same school year as the administrative review period, review those applications active for the follow-up review period which were approved after the administrative review period.

If problems were identified in direct certification, complete 201c.

**Benefit Issuance Errors:** Complete Critical Areas of Review, S-2, 202.

In schools that were reviewed during the administrative review, review of benefit issuance may be limited to those students who entered the school or changed eligibility category after the administrative review period and were active during the follow-up review period if:

the follow-up review period is in the same school year as the administrative review period; and,

the school continually updates the same benefit issuance document either manually or by updating a computer data base. In these cases, there is an assurance that the eligibility categories for students already reviewed during the administrative review are still correct.

**Updating Eligibility Errors:** Complete Critical Areas of Review, S-2, 203.

**School Level Meal Counting/Claiming** - Since all components of the counting and claiming system are interrelated, the entire aspect must be evaluated. Complete Critical Areas of Review, S-3, 301, 302 and 303, and S-4, 401, 402, 403, 404, 405, and 406.

**Meal Components** - This aspect consists of two parts: determining if required food items/components are available throughout the meal service, and observation of lunches served to determine whether the system used by the school ensures that students are selecting the required number of food items for the lunches to be claimed for reimbursement. Both parts of this aspect must be reviewed. Complete Critical Areas of Review, S-3, 304 and 305. In addition, if problems were identified during the administrative review in menu records or other documentation for the review period, review those records for the follow-up review period and complete Critical Areas of Review, S-4, 407.

**OTHER  
VIOLATIONS**

Review procedures for other critical area violations which did not exceed review thresholds and general area violations must be determined by the State agency.

**NEW SCHOOLS**

For each new school selected, each aspect of the performance standard that contributed to the school food authority exceeding the review threshold must be reviewed. However, it is suggested that all of the critical and general areas in these schools be reviewed.

**THRESHOLD  
VIOLATIONS**

The three (3) aspects of the critical areas that may need to be reviewed in new schools include:

**Eligibility Certification/Benefit Issuance/Updating Eligibility** - Complete Critical Areas of Review, S-2, 201, 202 and 203.

**School Level Meal Counting/Claiming** - Complete Critical Areas of Review, S-3, 301, 302 and 303, and S-4, 401, 402, 403, 404, 405 and 406.

**Meal Components** - Complete Critical Areas of Review, S-3, 304 and 305, and S-4, 407.

**OTHER  
VIOLATIONS**

Review procedures for other critical area violations which did not exceed review thresholds and general area violations must be determined by the State agency.

**OTHER**

**PROGRAMS** If the other programs were not reviewed at the school food authority level and in all reviewed schools during the administrative review, those aspects of the critical areas that had violations must be reviewed for these programs at the school food authority level and in all schools during the follow-up review.

**THRESHOLD  
VIOLATIONS**

The one (1) aspect that may need to be reviewed at the school food authority level is:

**School Food Authority Consolidating and Claiming** - Determine the accuracy of the process for the follow-up review period. Follow procedures for Critical Areas of Review, SFA-2, 103, and 104.

The three (3) additional aspects that may need to be reviewed at the school level include:

**Eligibility Certification/Benefit Issuance/Updating Eligibility** - Follow procedures for Critical Areas of Review, S-2, 201, 202 and 203.

**School Level Meal Counting/Claiming** - Follow procedures for Critical Areas of Review, S-3, 301, 302 and 303, and S-4, 401, 402, 403, 404, 405 and 406.

**Meal Components** - Follow procedures for Critical Areas of Review, S-3, 304 and 305, and S-4, 407.

**OTHER  
VIOLATIONS**

Review procedures for other critical area violations which did not exceed review thresholds and general area violations must be determined by the State agency.

**EXIT CONFERENCE  
AND NOTIFICATION**

At the close of the follow-up review, communicate the findings with the appropriate officials. Required and suggested actions for the exit conference should parallel the procedures described in Post Review Guidance, page 6-1. Required and suggested content for a notification letter reporting review results appears in Appendix, page 9-6.

# ASPECTS OF CRITICAL AREAS ON FOLLOW-UP REVIEWS

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POST REVIEW  
FOLLOW-UP REVIEWS

SFA NAME:		DATE OF ADMINISTRATIVE REVIEW:		MINIMUM NUMBER OF SCHOOLS:	
POST ADMINISTRATIVE REVIEW				POST FOLLOW-UP REVIEW	
SFA LEVEL	1 a. PS 1 threshold exceeded? _____ b. PS 2 threshold exceeded? _____		7 a. PS 1 threshold exceeded? _____ b. PS 2 threshold exceeded? _____		
	2. Adequate consolidation system? _____		8. Adequate consolidation system? _____ Same cause? _____		
3 SCHOOL LEVEL	P.S. 1			P.S. 2	
	4 10% OR > CLAIMED INCORR	a ELIG CERT	b BENE ISSU	c ELIG UP- DATE	6 # OF MEALS INCOMP
SCHOOL NAME					

Page \_\_\_\_ of \_\_\_\_

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**INSTRUCTIONS FOR ASPECTS OF CRITICAL AREAS  
ON FOLLOW-UP REVIEWS**

Once a school food authority has been selected for a follow-up review, this form is designed to:

identify those review threshold violations that require a follow-up review at the SFA level;

identify those schools which were reviewed at the time of the administrative review and require a follow-up review due to review threshold violations;

identify those aspects of the critical areas that must be reviewed for the schools previously reviewed; and

list additional schools selected for follow-up, if needed, to meet the minimum number required by regulation, and identify those aspects of the critical areas that must be reviewed for the additional schools selected.

After the follow-up review has been conducted, this form can also be used to:

identify and document new and continuing review threshold violations; and

assist reviewers in determining whether funds must be withheld from the SFA for continuing violations.

**POST ADMINISTRATIVE REVIEW** - Complete Block 1 through Column 6 using the findings from the administrative review.

Enter the name of the SFA, the date of the administrative review, and the minimum number of schools that must be reviewed using the table on page 6-5.

**Block 1:** Indicate whether the review thresholds for Performance Standards 1 and/or 2 were exceeded. This information can be obtained from the last line on SFA-1.

**Block 2:** Enter Y for yes or N for no to indicate whether there was an adequate consolidation system at the SFA level. This information is obtained from SFA-1, Block 3. Enter Y if the system was adequate and N if the system was inadequate. If the answer in this block is N, School Food Authority Level Consolidating/Claiming must be reviewed during the follow-up review.

**Column 3:** List the names of all schools reviewed at the time of the administrative review. This information is obtained from SFA-1, block 4. Use a second page, if necessary. Draw a line when all schools have been recorded.

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**Column 4:** **10% OR > CLAIMED INCORRECTLY:** If the SFA exceeded the review threshold for due to errors in Eligibility Certification/Benefit Issuance/Updating Eligibility, place a check mark next to those schools in which 10% or more (but not less than 100) free and reduced price lunches were claimed incorrectly (10% or > CLAIMED INCORR). Refer to the appropriate column on SFA-1, Block 4, for this information. Otherwise, leave the column blank.

**Columns 4 a,  
b, and c:**

For any school with a check mark in Column 4, put a check mark in the appropriate column if there were any errors in the eligibility certification (Column a), benefit issuance (Column b), or updating eligibility (Column c) that contributed to the school claiming 10% or more free and reduced price lunches incorrectly. Refer to S-5 for each school to determine whether there were any eligibility certification, benefit issuance, or updating errors. Since both benefit issuance and updating eligibility errors are entered under "Benefit Issuance Errors" on S-5, refer to S-5, 202a. and 203 for the individual school(s) to isolate where the errors occurred and the cause of the errors.

For any column with a check mark, that area of P.S. 1 must be reviewed in that school during the follow-up review. Refer to RE-REVIEWED SCHOOLS, Eligibility Certification/Benefit Issuance/Updating Eligibility, page 6-10 for additional information.

**Column 5:** **INADEQUATE COUNT SYSTEM:** If the SFA exceeded the review threshold for School Level Meal Counting/Claiming place a check mark next to the schools where a No appears under either the Day or Review Period column of SFA-1, Block 4. Otherwise, leave the column blank.

For any school with a check mark in Column 5, meal counting and claiming must be reviewed in that school during the follow-up review. Refer to RE-REVIEWED SCHOOLS, School Level Meal Counting/Claiming, page 6-11 for additional information.

**Column 6:** **# OF MEALS INCOMPLETE:** If the SFA exceeded the review threshold for P.S. 2, enter the number of incomplete lunches observed in each school. Refer to the appropriate column on SFA-1, Block 4, for this information. Otherwise, leave the column blank.

For any school with one or more incomplete lunches noted in Column 6, P.S. 2 must be reviewed in that school during the follow-up review, except in limited situations (hence the reason to enter numbers in Column 6 instead of a check mark) as explained in Post Review Guidance, Selection Criteria, page 6-5. Refer to RE-REVIEWED SCHOOLS, Meal Components, page 6-11 for additional information.

**SCHOOL  
SELECTION**

Line through any school listed that does not have a check mark(s) in columns 4 or 5, or a number in column 6.

Determine the schools to visit using the following criteria:

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All schools that have not been lined through must be reviewed at the time of the follow-up review up to the minimum number of schools required. Refer to Post Review Guidance, Follow-up Reviews, SCHOOL SELECTION, page 6-5 for additional information.

If the number of schools remaining is less than the required number, new schools must be selected to meet the minimum number required.

The new schools selected must be added to Column 3. For these schools, place check marks in columns 4 and a, b, and c if a check mark exists in any of these columns for the previously reviewed schools. Place a check mark in Column 5 if a check mark appears in Column 5 for any of the previously reviewed schools and place a check mark in Column 6 if a number exists in Column 6 for any of the previously reviewed schools. Check marks in any Column indicate that these aspects of the critical areas contributed to the review threshold(s) being exceeded for the schools reviewed during the administrative review and must be reviewed in the new schools.

POST FOLLOW-UP REVIEW - Complete Block 7 through Block 14 using the findings from the follow-up review.

**Block 7:** Indicate whether the review thresholds for Performance Standards 1 and/or 2 were exceeded during the follow-up review. This information can be obtained from the last line on SFA-1 that was completed for the follow-up review. If the answer to one or both questions is Y, subsequent follow-up review is required.

**Block 8:** If School Food Authority Level Consolidating/Claiming was reviewed during the follow-up review, enter a Y or N to indicate whether there was an adequate consolidation system at the SFA level. This information is obtained from SFA-1, Block 3 that was completed for the follow-up review. Enter Y if the system was adequate and N if the system was inadequate. If School Food Authority Level Consolidating/Claiming was not reviewed enter NA.

If the answer to Block 8 is N indicate with a Y or N whether the system was not adequate due to the same cause as the previous review. If it was the same cause, refer to Post Review Guidance, Withholding Payments, page 6-22.

**Column 9:** **10% OR > CLAIMED INCORRECTLY:** If the SFA exceeded the review threshold for Eligibility Certification/Benefit Issuance/Updating Eligibility during the follow-up review, i.e., Block 7 a. is answered Y, place a check mark next to those schools in which 10% or more (but not less than 100) free and reduced price lunches were claimed incorrectly (10% OR > CLAIMED INCORR). Refer to the appropriate column on SFA-1, Block 4, that was completed for the follow-up review for this information. Otherwise, leave the column blank.

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**Columns 9 a,  
b, and c:**

For any school with a check mark in Column 9, place a check mark in the appropriate column a, b and/or c if there were any errors in eligibility certification, benefit issuance, or updating eligibility that contributed to the school claiming 10% or more free and reduced price lunches incorrectly. Refer to S-5 for each school that was completed during the follow-up review to determine whether there were any eligibility certification, benefit issuance, or updating errors. Since both benefit issuance and updating eligibility errors are entered under "Benefit Issuance Errors" on S-5, refer to S-5, 202a. and 203 for the individual school(s) to isolate where the errors occurred and the cause of the errors.

For any column with a check mark, that area of P.S. 1 must be reviewed in that school during a subsequent follow-up review.

**Block 10: SAME CAUSE:** If there are no check marks in Column 9, place an NA in block 10.

If one or more schools has a check mark in Column 9, compare the error(s) to those identified during the administrative review. Determine if the cause(s) of the error(s) identified during the follow-up review was the same as the cause(s) of the error(s) identified during the administrative review.

If any of the check marks in Columns 9 a, b, and/or c resulted from a same cause as any of the check marks in Columns 4 a, b, and/or c, place a Y in Block 10. Otherwise, place a N in Block 10.

DECISION - If Block 7 a. is Y and Block 10 is Y, the review threshold for P.S. 1 has been exceeded on the follow-up review for a same cause as found on the administrative review. Refer to Post Review Guidance, Withholding Payments, page 6-22 for additional information.

**Column 11: INADEQUATE COUNT SYSTEM:** If the SFA exceeded the review threshold for School Level Meal Counting/Claiming during the follow-up review, i.e., Block 7 a. is answered Y, place a check mark next to the schools where a No appears under either the Day or Review Period column of SFA-1, Block 4. Refer to the appropriate column on SFA-1, Block 4, that was completed for the follow-up review for this information. Otherwise, leave the column blank.

**Block 12: SAME CAUSE:** If there are no check marks in Column 11, place NA in Block 12.

If one or more schools has a check mark in Column 11, compare the cause(s) of the inadequate counting and claiming system for all schools with a check mark in Column 5 with the cause(s) for all schools with a check mark in Column 11. If any of the causes are the same, even if the same cause is in a different school from the administrative review, place Y in Block 12.

DECISION - If Block 7 a. is Y and Block 12 is Y, the review threshold for P.S. 1 has been exceeded on the follow-up review for a same cause as found on the administrative review. Refer to Post Review Guidance, Withholding Payments, page 6-22 for additional information.

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**POST REVIEW  
FOLLOW-UP REVIEWS**

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**Column 13: # OF MEALS INCOMPLETE:** If the SFA exceeded the review threshold for Meal Components during the follow-up review, i.e., Block 7 b. is answered Y, enter the number of incomplete lunches observed in each school. Refer to the appropriate column on SFA-1, Block 4, that was completed for the follow-up review for this information. Otherwise, leave the column blank.

**Block 14: SAME CAUSE:** If there are no numbers entered in Column 13, place NA in Block 14.

If one or more schools has a number recorded in Column 13, compare the cause(s) of the incomplete lunches for all schools with a number in Column 6 with the cause(s) for all schools with a number in Column 13. If any of the causes are the same, even if the same cause is in a different school from the administrative review, place Y in Block 14.

**DECISION** - If Block 7 b. is Y and Block 14 is Y, the review threshold for P.S. 2 has been exceeded on the follow-up review for a same cause as found on the administrative review. Refer to Post Review Guidance, Withholding Payments, page 6-22 for additional information.

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## FISCAL ACTION AS A RESULT OF FOLLOW-UP REVIEWS

### CALCULATING FISCAL ACTION

#### GENERAL RULES

Except for the adjustments contained in this section of Post Review Guidance, fiscal action is calculated using the same procedures for follow-up and administrative review deficiencies. Refer to Fiscal Action Guidance, page 7-1 through 7-25 for information on calculating fiscal action.

#### REQUIRED FORMS

Any entries on the fiscal action forms that do not apply should be lined out.

#### EXCEPTIONS TO COMPLETING THE FISCAL ACTION FORMS

The State is not required to complete the fiscal action forms when the overclaim will be disregarded or the underclaim will not be paid.

However, in either case, the data needed to complete the FNS-640, Coordinated Review Effort Data Collection, must be documented.

#### OVERCLAIM DISREGARD

The SA may disregard a Coordinated Review overclaim that results from a follow-up review in the following situations:

the follow-up review is conducted in the same school year as the administrative review and the total overclaim per program (NSLP, SBP or SMP) for both reviews is \$600 or less; or

the follow-up review is conducted in the next school year and the total overclaim per program resulting from the follow-up review is \$600 or less.

#### GENERAL AREAS

##### OF REVIEW

State agencies that do not routinely assess fiscal action for General Areas of Review deficiencies are encouraged to assess fiscal action when serious problems are identified in the areas of verification and recordkeeping on the follow-up review.

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**START DATE  
OF ERROR  
FOR A NEW  
PROBLEM**

When the follow-up review identifies a new error, use the guidelines from Section 7-2, of the Coordinated Review Guidance for determining the Start Date of Error.

**START DATE  
OF ERROR  
FOR THE SAME  
PROBLEM**

When the follow-up review identified the same deficiency found on the administrative review, the following chart can be used to determine the start date of error:

FOLLOW UP REVIEW FINDINGS	START DATE OF ERROR
Corrective action not taken	Start date of error identified during the administrative review
Deficiencies are from the same cause	
Deficiencies are from a new cause	Date the error first occurred during the current school year

**PREVENTING  
DUPLICATE  
OVERCLAIMS**

When administrative review fiscal action was paid or recovered, adjustments to follow-up review fiscal action for the same problem may be necessary. The following examples illustrate two types of adjustments that may be necessary.

**Example 1:**

A meal counting error was found during the administrative review. Based on the new counts submitted by the school food authority, it appeared that the error was corrected in May. Claims were recalculated from September through April. The overclaim was recovered from the school food authority. When the State returned in October of the following school year, it was determined that corrective action had not been taken and the meal counts were still in error. The start date of error is still September of prior school year, however, the recalculated claim data, not the original claim data, should be used when fiscal action is calculated.

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**Example 2:**

Certification errors for 100 students were found on the administrative review. All of the errors occurred on the date of approval, September 15. Based upon the school food authority's timely submission of adequate corrective action, fiscal action was calculated for the 100 certification errors from the first serving day of the review period (January) to the date of corrective action (April 1). For purposes of this example, meal service occurred on 55 days during the January to April 1 period. The overclaim was not disregarded.

On the follow-up review, conducted during the next school year, the State determined that corrective action was not taken for 5 of the certification errors. The start date of error is September 15 of the prior school year. The last serving day of that school year was June 6 with 184 total serving days in the school year. The students are not enrolled in the school for the current school year. Fiscal action is calculated on 129 days  $(184 - 55) \times 5$  (students).

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**WITHHOLDING PAYMENTS**

**REQUIRED  
WITHHOLDING**

**CRITICAL  
AREAS**

The State agency must withhold 100 percent of Program payments in the following situations:

the school food authority fails to submit documented corrective action by the established due date, including approved extensions, for a Performance Standard 1 or Performance Standard 2 violation which exceeded the review threshold;

the school food authority submitted documented corrective action by the established due date, however, the State agency finds that corrective action for a critical area violation which exceeded the review threshold was not in fact, completed; and/or

if, on a follow-up review, the State agency finds a critical area violation which exceeded the review threshold on a previous review and continues to exceed the review threshold for a same cause.

Except, in those cases where the State agency determines that it is not in the best interest of the Program, the State agency may withhold anywhere from 40 to 100 percent of Program payments. Factors that may be considered when determining the amount to withhold include:

the ability of the school food authority to continue to provide meals to students during the time it takes to complete corrective action; or

the willingness of the school food authority to complete corrective action on a timely basis. For example, consideration can be given when circumstances beyond the control of the school food authority have caused required corrective action to be delayed beyond the established due dates and approved extensions.

**FNS  
APPROVAL**

When FNSRO determines it is in the best interest of the Program, the State agency will be authorized to withhold less than 40 percent of the school food authority's total Program payments in situations described above under CRITICAL AREAS.

The State agency must submit a written request to FNSRO which includes the following information:

the name of the SFA;

the date(s) of the administrative/follow-up review(s);

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a description of the critical area violation(s) identified during the administrative review, the corrective action required, and the school food authority response;

results of the follow-up review(s);

the withholding percentage requested; and

the State agency's rationale for withholding less than 40 percent of Program payments including the adverse effect that a higher withholding amount would have on the school food authority.

**FAILURE TO  
WITHHOLD**

FNSRO may suspend or withhold Program payments and State administrative funds, in whole or in part, to those State agencies failing to withhold Program payments as required in 7 CFR Part 210.18.

**DISCRETIONARY  
WITHHOLDING**

The State agency may withhold payments for critical areas of review violations that do not exceed review thresholds and for general areas of review violations. For example, discretionary withholding of payments may be appropriate if:

corrective action is not complete or not submitted within established timeframes; and/or

corrective action was not taken as specified in the documented corrective action.

FNSRO approval for discretionary withholding of payments is not required.

**SFA  
NOTIFICATION**

The State agency must provide the school food authority with the right to appeal a decision to withhold payments. The contents of the notification must parallel the information in Appendix, LETTER OF CLAIM ADJUSTMENT INCLUDING NOTICE OF APPEAL, page 9-5.

**EFFECTIVE DATE**

Withholding of Program payments must begin immediately upon notification to the school food authority. Payments for all unpaid original or upward adjusted claims must be withheld; downward adjustments to previously submitted claims may be processed during the withholding period.

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**POST REVIEW  
WITHHOLDING PAYMENTS**

**DRAFT**

**DURATION**     The State agency must promptly release withheld Program payments in the proper amount when corrective action is completed, documented corrective action is received, the State agency has deemed the documented corrective action acceptable, and any required follow-up review is completed.

**CLAIM SUBMISSION  
DURING  
WITHHOLDING**

Since the school food authority continues to earn Program payments during a period of withholding, the school food authority must continue to submit Claims for *Reimbursement on a timely basis.*

**REPORTING  
REQUIREMENTS**

**SF-269**     *State agencies must report withheld payments as an unliquidated obligation on the SF-269. Any portion of unliquidated obligated funds resulting from withholding of payments must be identified in the footnote section of the form.*

**FNS-10**     Include meal count data from withheld claims on the appropriate monthly FNS-10 report.

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# SUMMARY OF REQUIRED ACTIONS

ADMINISTRATIVE  
REVIEW:

REVIEW THRESHOLD FOR PS 1 OR PS 2 EXCEEDED

DOCUMENTED  
CORRECTIVE  
ACTION:

Completed timely

Not completed or  
not submitted within  
established timeframes

FOLLOW-UP  
REVIEW:

Review threshold  
exceeded for same  
cause

Review threshold  
exceeded for  
different cause or  
new review  
threshold exceeded

Problem(s) exists  
but review  
threshold(s) not  
exceeded

REQUIRED  
ACTIONS:

Withhold payments  
  
Fiscal action, as  
appropriate  
  
Corrective action;  
SFA must notify SA  
when corrective  
action is complete  
  
Subsequent follow-  
up review to  
evaluate corrective  
action upon request  
of the SFA \*

Release withheld  
funds following  
successful  
corrective action

Fiscal action, as  
appropriate  
  
Corrective action;  
SFA must notify SA  
when corrective  
action is complete  
  
Subsequent follow-  
up review is  
required within  
six (6) operating  
months \*

Fiscal action, as  
appropriate  
  
Corrective action;  
SFA must notify SA  
when corrective  
action is complete

Withhold payments  
  
Corrective action; SFA  
must notify SA when  
corrective action is  
complete  
  
Include SFA in the  
pool for follow-up  
review, if applicable

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POST REVIEW  
SUMMARY  
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\* On an individual school food authority basis, FNSRO may approve an exception to the additional follow-up review requirement.